

RATES STEADY UNTIL 2006 . . .

... if Congress makes CSRS changes

Hug an actuary. With gusto. And make it a government actuary, preferably one who works for the Office of Personnel Management (OPM). They're the folks who crunched the retirement numbers for USPS, and know what happened? USPS exhaled. Future breathing room is a distinct possibility.

USPS might not need to pour as much money into the Civil Service Retirement System (CSRS) as previously thought. And if Congress acts to make it so, USPS could hold rates steady until at least 2006 as well as reduce more debt. A little flexibility can go a long way.

So what happened?

A new financial analysis by OPM shows USPS has almost fully funded its obligations to CSRS. USPS has just about put enough money in there to take care of pension benefits for its current and future retirees under CSRS. (After 1983, newly hired postal workers were enrolled in the Federal Employees Retirement System – or FERS.)

Up until now, USPS has maintained a deferred liability of \$32 billion for the CSRS account. The new analysis shows the actual funding gap to be only \$5 billion. Oversight? Mistake? Nope. For the first time, OPM's analysis looked at USPS apart from the rest of the federal government. And one of the big things it found was higher-than-expected yields on pension investments.

So, if your pension liabilities are not as large as you thought, your budget takes on a brighter hue, especially if it was tight in the first place. It's like planning a family budget and having to figure in the car payment for a VW Golf vs. a Ferrari. There's more flexibility in the budgeting arena with a VW.

But caution!

This wealth of possibilities should be viewed as still in the scenario stage at this point. Congress has to act to change the payment schedule. If they do, USPS could keep postage rates stable to 2006 – two years longer than postal officials had expected – and it could increase the amount available for debt reduction in FY 2003 from \$800 million to over \$3 billion. There would be no impact on current postal employee retirement contributions or future benefits, nor would it affect current CSRS postal retiree annuities.

PMG Jack Potter cautions “no one should be lulled into a sense of complacency that all is right with the nation's postal system. That's simply not true.” This doesn't change the fact that there are fundamental flaws in the Postal Service's current business model. Potter says the focus will remain on improving service, increasing productivity, continuing smart cost-cutting activities and streamlining postal operations. Potter says he's still moving forward with the Transformation Plan commitment to take \$5 billion out of operating expenses by the end of 2006.

Onward with transformation. Onward with flexibility.

USPS NEWS

HARDCOPY

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It's snowtime Be prepared. Be alert. Be safe.

Driving through a blizzard is no sleigh ride in the park. The winter lineup of snow, ice, freezing rain, fog and high winds can make the process of getting from point A to point B a profile in courage. Winter driving is no day at the beach, unless you happen to live in Hawaii. You need to be prepared – for the unexpected. It only takes a thin coating of ice to turn a highway into a skating rink. Snow flurries in the morning could turn into several inches on the roadway by late afternoon.

You hold the keys to safe winter driving. Here are some driving tips to help you make it safely through the season:

- Check snow tire treads, condition of studs or chains and proper inflation.
- Slow down before curves, not on the curve. Turn steering wheel slowly and keep a constant speed.
- If you have an anti-lock brake system (ABS), apply steady pressure to brakes.
- If you don't have ABS, lightly pump your brakes to avoid locking.
- Use headlights when visibility is low.

- Adjust speed to road conditions. Check braking ability when in doubt.
- Use extra caution on bridges, overpasses and shady areas. These tend to freeze first.
- Follow at greater distances. It takes two to 12 times as much distance to stop on snow and ice.
- Pay attention to severe weather warnings and, if you have to drive, use extra caution. People have been injured or worse when stranded during winter storms.
- For remote rural delivery, carry a basic winter survival kit (jumper cables, shovel, sleeping bags, matches, candles, flashlight and flares). Carry sand, salt or an old carpet to avoid becoming stuck in snow.
- Clear ice and snow from all windows, headlights and taillights so that you can see others and be seen.
- Warm up the heater and defroster before driving.
- Ease off the accelerator and avoid using brakes on slippery roads.
- Take extra care on narrow and twisting rural roads. Approximately 80 percent of head-on collisions occur on rural roads.

QUOTABLE

“The nation still faces a long-term challenge to continue postal services to everyone, everywhere while financing the costs of a growing delivery network.”

PMG Jack Potter

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20 in a row!

You bet we deliver. overnight First-Class Mail was delivered on time an average of 94 percent during the last quarter of FY 2002. That's the second consecutive quarter that USPS achieved a 94 percent EXFC (External First-Class) score. And that's not all. The last quarter of FY 2002 was the 20th consecutive quarter – five years – that overnight First-Class Mail has met or exceeded 93 percent.

Three performance clusters – Central Plains, San Jose, CA, and the Dakotas – each achieved on-time delivery scores of 96 percent. An additional 28 PCs had on-time delivery scores of 95 percent.

And the most recent Gallup survey shows 93 percent of households nationwide reported having a positive view of the Postal Service. This is the fourth consecutive quarter in which ratings of overall performance have reached 93 percent.

EXFC Overnight

PERFORMANCE CLUSTER	RESULTS	PERFORMANCE CLUSTER	RESULTS
AKRON	94	LOS ANGELES	94
ALABAMA	94	LOUISIANA	94
ALASKA*	95	MAINE	94
ALBANY	95	MID-AMERICA	94
ALBUQUERQUE	95	MID-CAROLINAS	93
APPALACHIAN	93	MIDDLESEX-CENTRAL	93
ARIZONA	95	MISSISSIPPI	95
ARKANSAS	93	NEW HAMPSHIRE	95
ATLANTA	94	NEW YORK	92
BALTIMORE	95	NORTH FLORIDA	94
BIG SKY	94	NORTHERN ILLINOIS	94
BOSTON	93	NORTHERN NEW JERSEY	92
CAPITAL	95	NORTHERN VIRGINIA	95
CARIBBEAN	90	NORTHLAND	94
CENTRAL FLORIDA	94	OAKLAND	94
CENTRAL ILLINOIS	95	OKLAHOMA	94
CENTRAL NEW JERSEY	92	PHILADELPHIA	94
CENTRAL PLAINS	96	PITTSBURGH	95
CHICAGO	93	PORTLAND	93
CINCINNATI	95	RICHMOND	95
CLEVELAND	94	RIO GRANDE	95
COLORADO/WYOMING	93	ROYAL OAK	93
COLUMBUS	93	SACRAMENTO	94
CONNECTICUT	94	SALT LAKE CITY	94
DAKOTAS	96	SAN DIEGO	95
DALLAS	94	SAN FRANCISCO	94
DETROIT	95	SAN JOSE	96
ERIE	95	SANTA ANA	94
FORT WORTH	95	SEATTLE	94
GATEWAY	92	SIERRA NEVADA	95
GREATER INDIANA	95	SOUTH FLORIDA	95
GREATER MICHIGAN	93	SOUTH GEORGIA	93
GREATER S CAROLINA	94	SOUTH JERSEY	93
GREENSBORO	94	SOUTHEAST NEW ENGLAND	94
HARRISBURG	94	SPOKANE	95
HAWKEYE	95	SPRINGFIELD	94
HONOLULU	95	SUNCOAST	94
HOUSTON	93	TENNESSEE	95
KENTUCKIANA	95	TRIBORO	93
LAKELAND	95	VAN NUYS	95
LANCASTER	94	WESTCHESTER	94
LONG BEACH	94	WESTERN NEW YORK	95
LONG ISLAND	94		

* 2-day service commitment only

USPS, APWU reach tentative deal

USPS and the American Postal Workers Union (AFL-CIO) announced agreement on a tentative two-year contract extension. It must be approved by union members. APWU represents 312,000 postal employees.

“The tentative two-year contract extension is fair to both parties,” says Tony Vegliante, vice president, Labor Relations. “It should assist us in our continuing effort to find joint solutions to future challenges. The economic provisions of the tentative extension should also help provide a measure of financial stability to the Postal Service.”

The tentative agreement provides for a 1.3 percent wage increase effective Nov. 15, 2003, and

a 1.3 percent increase effective Nov. 27, 2004. Other items include the continuation of a cost-of-living allowance and the creation of a joint task force to discuss issues of repositioning employees, and with a limited, temporary moratorium on excessing while those discussions take place. The temporary moratorium does not include excessing within a 50-mile radius of an employee's current work location.

All other provisions of the contract would remain in effect. The tentative contract extension covers the period from Nov. 20, 2003 and continues through Nov. 20, 2005.

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APPLAUSE

The possibility of future rate stability was greeted with reactions from the media and mailing industry ranging from glee to cautious optimism. (But remember, it's not a done deal — Congress has to act.) Here's what folks are saying:

“Pen pals, rejoice! Postal rates are likely to remain the same for another four years, thanks to money freed up from a retirement fund that the Postal Service had been overpaying.”
– Associated Press

“If you would like to stock up on stamps, go ahead. The good news is that postal rates are likely to remain the same for four more years, a result of money freed from a retirement fund that the Postal Service had been overpaying.”
– The Fort Worth Star-Telegram

“We are pleased about the possible delay in any future rate increase and call on Congress to enact the necessary legislative change to fix this broken system quickly. We will work with the Postal Service and others to effect necessary changes which will ensure that the American public receives the lowest possible mailing rates.”

– H. Robert Wientzen, president and CEO, Direct Marketing Association

“We strongly endorse a change in current law to prevent the overpayment of postal pension obligations. Without this change, postal customers will pay higher rates sooner than necessary. With such a change, Congress can ensure rate stability until 2006, and help the nation's economy – including the \$9 billion mailing industry that had been damaged by the recession.”

– Robert E. McLean, executive director, Mailers Council